

RV BUSINESS

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MARCH 23, 1990

Industry Drive Targets Calif. RV Licensing

A major, industrywide campaign to block California's special RV-licensing requirements accelerated into high gear in late February and early March when RVIA and the Good Sam Club® launched a grass-roots campaign aimed at California state legislators.

In mid-February, mailings were sent by Good Sam Executive Director Sue Bray to several thousand Good Sam-member RV owners in California. The mailings urged RVers to contact their state assemblymen and senators to voice their support for an amendment to Senate Bill 448 (later changed to SB 1510). The amendment would overturn the current law requiring all drivers who tow RV-trailers over 9,000 pounds gross weight to have a noncommercial Class A operator's license. To obtain that license, drivers must pass a medical exam administered by a physician and paid for by the applicant, as well as special driving-skills and written tests.

The mailings, whose funding was shared by RVIA and TL Enterprises, resulted in "an avalanche of protest by Good Sam members to their elected legislators. We targeted California Assembly Transportation Committee members. Less than a week after the mailings, we heard from various members of the committee, who were being deluged with calls from our members. When some 230,000 voting Good Sam RVers gets behind an issue, it causes a reaction," said Bray.

That reaction, scheduled to be debated on March 5 at a Transportation Committee hearing, was postponed to at least March 19 and possibly later.

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COOLING THE OZONE CRISIS: RV air-conditioning manufacturers discuss how they are changing their products in response to the global drive to limit or eliminate many key refrigerants in an effort to protect the earth's ozone layer. See page 32.

RVIA Meeting Honors Leaders, Debuts Arbitration Program

RVIA and the Chevrolet Motor Division, Warren, Mich., are close to reaching an agreement on development of a consumer-manufacturer arbitration program, announced RVIA and Chevrolet officials at RVIA's annual meeting, Feb. 28-March 4 in Scottsdale, Ariz.

The new program—initiated by RVIA because it did not want to go "head to head" with the automakers and a growing number of state legislatures during an era when lemon laws are becoming more stringent—is aimed at giving van and motorhome owners access to a quick, low-cost solution during unit buy-back proceedings. Chevrolet and RVIA hope to develop a process for assigning financial responsibility to the motorhome maker, the van converter and/or Chevrolet as a major RV chassis supplier.

"We tried to come up with an alternative (to lemon laws), and

that was to ask the auto companies to prepare some kind of a process so that we can enter into voluntary, binding arbitration to resolve differences," RVIA President David Humphreys told 293 RVIA members at the Scottsdale Princess Hotel. "When a motorhome has to be repurchased, it (the arbitration program) will have whoever is responsible for the problem pay for the cost. That's something the auto companies have agreed with us in principal, and we are working hard to come up with such a process. We think it's a win-win deal for everybody."

Chevrolet Vice President and General Manager James C. Perkins, the keynote speaker at the RVIA event, said the program is a natural outgrowth of the "age of consumerism" and will better enable RV makers and Chevrolet to deal with the "potential onslaught" of lemon-

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TWO DOLLARS



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Attendees at the National Van Conversion Association's Sixth Annual Supplier Showcase in South Bend, Ind., can use this special section's floorplans, exhibitor lists and calendar of events to plan their visit.

Cooling the Ozone Crisis	32
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Environmental concern about the deterioration of the earth's ozone layer is leading to regulation that is limiting, and may eventually eliminate, the use of a number of the key refrigerants for RV air conditioning. RV air-conditioning manufacturers discuss how they are changing their products to meet that challenge without sacrificing interior comfort.

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COVER ART: SHELLY SHAFFER

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DOWNWARD SALES TREND WORSENERD IN NOVEMBER '89

THOMAS WALWORTH

ALL RV-TRAILER SALES BY REGION NOVEMBER 1989 YEAR-TO-DATE



ALL MOTORHOME SALES BY REGION NOVEMBER 1989 YEAR-TO-DATE



East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin; Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming; Northeast: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont; Pacific: Alaska, California, Oregon, Washington, Hawaii; South Atlantic: Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia; West North Central: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota; South Central: Texas, Oklahoma, Arkansas, Louisiana, Tennessee, Mississippi, Alabama.

Both motorhome and RV-trailer retail figures for November 1989 revealed that the industry was continuing to lag behind its 1988 pace. The motorhome market for the 1989 year-to-date was down 6.95% compared with the same 11-month period of 1988, while November's RV-trailer market trailed 1988's cumulative total by an even larger 7.2%.

The motorhome market was down 653 units, or 16.3%, in November '89 when compared with the previous November. This represented an acceleration of a downward trend, since November's decline was 400 units larger than the unit-sales decrease of October '89 from October '88.

Figure 1 ranks the seven regions of the country by their percentage change in motorhome sales in November '89 compared with the previous November. The South Central region topped the rankings, with Arkansas having the largest percentage gain in the region. Among the bottom-ranked East North Central states, Michigan reported the largest percentage decline.

As mentioned earlier, the motorhome market was down 6.9%, or 3,899 units, for the year-to-date by November '89, and this was a 600-unit worsening of the year-to-date sales deficit registered in October '89.

Figure 2 provides a regional ranking based on the percentage change in motorhome sales for the 1989 year-to-date compared with the same 11 months of '88. The South Central region again led all others, with Texas recording the largest percentage gain for the year-to-date. The

Mountain region trailed the pack, and Arizona experienced the largest decline among the Mountain states.

The RV-trailer retail market was down by 579 units when sales for November '89 are compared with November '88. And that decline was almost 300 units deeper than the

MOTORHOMES, NOV. '89				
Nov. '89 Rank	Region	% of Change From Nov. '88	Oct. '89 Rank	
1	S. Central	0.6	6	
2	S. Atlantic	-6.5	2	
3	W.N. Central	-10.3	5	
4	Mountain	-18.9	3	
5	Northeast	-20.0	4	
6	Pacific	-22.5	1	
7	E.N. Central	-23.3	7	

Figure 1

MOTORHOMES, YEAR-TO-DATE				
Nov. '89 Rank	Region	% of Change Year-to-Date	Oct. '89 Rank	
1	S. Central	-1.4	1	
2	Pacific	-5.6	2	
3	W.N. Central	-6.8	3	
4	S. Atlantic	-7.4	4	
5	E.N. Central	-8.8	5	
6	Northeast	-9.2	6	
7	Mountain	-11.6	7	

Figure 2

RV TRAILERS, NOV. '89				
Nov. '89 Rank	Region	% of Change From Nov. '88	Oct. '89 Rank	
1	S. Central	5.7	2	
2	S. Atlantic	-3.7	5	
3	W.N. Central	-5.6	1	
4	Mountain	-9.9	7	
5	Northeast	-10.3	4	
6	E.N. Central	-12.2	3	
7	Pacific	-23.8	6	

Figure 3

RV TRAILERS, YEAR-TO-DATE				
Nov. '89 Rank	Region	% of Change Year-to-Date	Oct. '89 Rank	
1	S. Central	0.5	1	
2	W.N. Central	-4.8	3	
3	Mountain	-4.8	2	
4	S. Atlantic	-6.0	4	
5	Pacific	-7.9	5	
6	E.N. Central	-9.4	6	
7	Northeast	-13.0	7	

Figure 4

AT RETAIL *continued*

drop already recorded in October 1989 sales compared with October '88.

In Figure 3, the national regions are ranked by their percentage change in RV-trailer retail figures in November 1989 compared with November of the previous year. The South Central region outstripped the six other regions with a strong increase of 17% over November '88, with Alabama leading the region's states in terms of percentage gain in sales. Meanwhile, the Pacific region fell to last place with a 23.8% drop for November, with Washington having the largest decline of the Pacific states.

For the year-to-date in November 1989, RV-trailer sales were down 7.2%, or 8,263

*If the cycle continues,
December figures should
show a stronger market.*

units, as noted above. This deficit was a 1,500-unit worsening of the year-to-date shortfall recorded in October 1989.

As shown in Figure 4, the South Central region was No. 1 in terms of percentage change in trailer sales for the first 11 months of 1989 compared with the same period of 1988. In that region, Oklahoma recorded the largest percent gain for the year-to-date. At the same time, the Northeast states as a group trailed the rankings, with Massachusetts reporting the largest percentage decline.

The November '89 retail numbers were an indication of the problem that the market experienced throughout 1989: October numbers had come on strong, only to have November sales go soft again. This tendency of sales to blow hot and cold kept the RV market from putting together any substantial drive last year. At a more micro-economic level, the different sections of the country performed in the same up-and-down fashion.

The resulting lack of progress convinced some dealers and manufacturers that they were dealing with a depressed market last year. True, the market was down in 1989, but it was not a depressed market. As of November '89, the RV market was still only 7% off its 1988 pace. If the hot-and-cold cycle continues, December figures should show a stronger market once more, so that final 1989 retail numbers could finish on an upward note. Δ

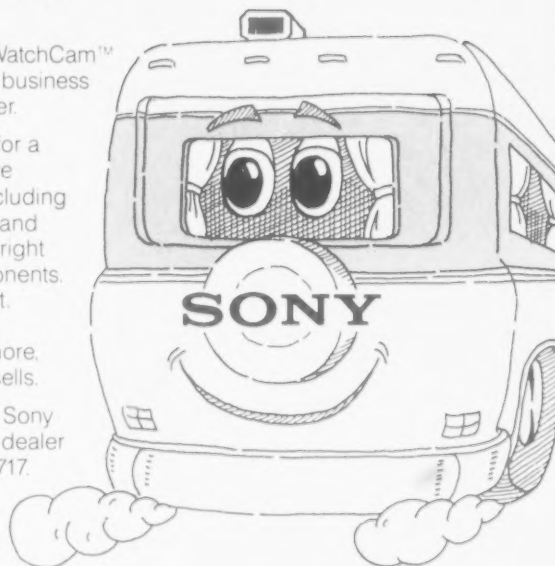
Thomas Walworth is general manager of Statistical Surveys Inc., Grand Rapids, Mich., which has reported retail statistics for 30 years to the RV industry. Statistical Surveys is an acknowledged leader in the RV statistical field.

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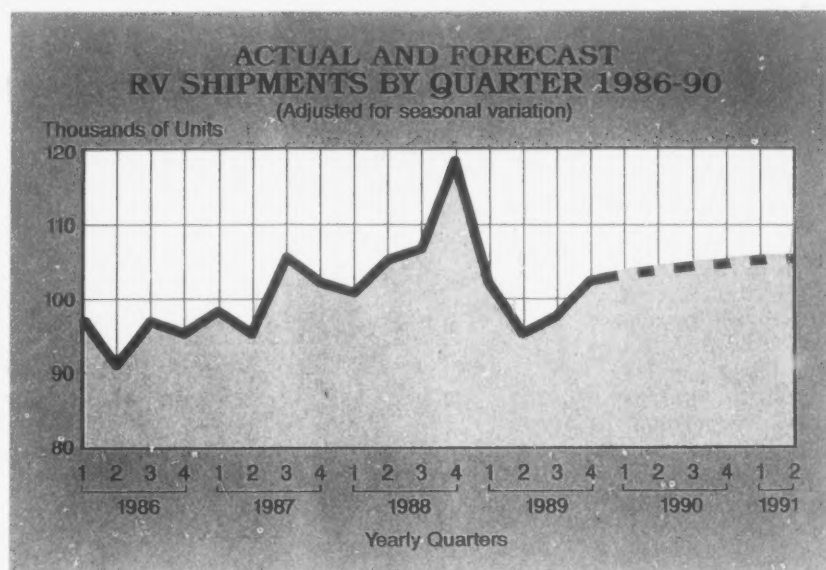


Figure 1

In mid-1989, the RV industry touched the bottom of the current cycle in shipments and began a slow, upward climb. The low point was reached at 95,500 units in the second quarter of 1989. The third quarter was up by 2,100 units, and the year closed with a gain of 4,900 units from the second quarter's low point.

Apparently, we were a bit too conservative in our last forecast for the fourth quarter of '89. In January, we forecast a 1989 shipments total of 98,300 units, and the year-end figure came in at 102,500, a difference of 4%. The somewhat stronger performance came from another unusually strong fourth quarter for van conversions and added strength in travel trailers and folding camping trailers.

Slow, Steady Growth

We now forecast an improvement each quarter into the middle of 1991. But we do not expect strong gains. (See Figure 1.)

We have slightly raised our forecast for 1990 shipments: They should total more than 416,000 units, about 18,000 units (4.6%) higher than the level for 1989. But this growth is not as robust as we forecast in January, when we expected a 5% shipments increase for '90. This is because some of the gains anticipated at that time

may have already been realized in the closing months of 1989.

The quarterly trend shown in Figure 1 is clearly upward, but the rate of growth is neither steady nor strong. Six quarters into the future (from the fourth quarter of 1989 to the second quarter of 1991), shipments are forecast to have advanced by only 2,900 units. The average gain per quarter is about 500 units. That growth rate would be significant for a single manufacturer, but it is very small for an industry of this magnitude.

This somewhat less-cheerful forecast, which does not foresee '90 gains as strong as previously predicted, is due to a slower economy, which will right itself later in 1990—but only after a very weak opening to this year. In the process, the RV industry also will improve, but slowly.

The Detailed Outlook

All segments of the RV industry entered this year on a down note after a weak performance in 1989. Shipments for the various RV types were anywhere from 2% to 22% below those of 1988. (See Figure 2.)

We still see 1990 as a year of recovery. The gains are obvious in some market segments and less clear in others. Do not be deceived by all of the aggregated numbers for 1990 in Figure 2. We expect towables in

1990 to be only 700 units over the 1989 level, with a weak 0.5% gain, although folding camping trailers and truck campers are seen to have rebounds for the year. In fact, for each quarter of the year, truck campers are forecast to make gains. Meanwhile, the downward slide of folding camping trailers should end in 1990.

Motorhome shipment figures tell a different story. Motorhomes as a group are down for 1990, but the quarterly trend for some types is positive. For example, Class B and Class C units are now forecast to improve each quarter, starting in the first quarter of 1990. For Class C units, that means the fourth quarter of 1990 is expected to end up 20% higher than the shipments level in the same quarter of '89.

On the other hand, Class A motorhomes will be down from 1989. Some consolation may be taken, however, from the fact that Class A shipments in the last quarter of 1990 will be just 2.4%, or 200 units, lower than the shipments tally in the fourth quarter of '89.

Van conversions in 1990 will continue to increase their market share. In 1988, van conversions captured just under 45% of the total RV market; in 1989, conversions had nearly 51% market share. By the end of 1990, vans could well have more than a 53% market share. This market gain would be the result of an 11% increase in van-conversion shipments in 1990.

The National Outlook

We expect final figures to show that the national economy grew very slowly during the winter of 1989-90. In the last quarter of 1989, economic growth, after adjustment for inflation, was less than 1%. In the first quarter of 1990, growth is forecast to be as close to zero as it can get.

After the first quarter, however, we believe that the pace of economic activity will improve, although the economy does not promise to be exceptionally robust.

For the calendar-year 1990, real gross national product (GNP), the value of goods and services produced in our economy after adjustment for inflation, will rise about 1.6%. This is about half the rate of growth that the nation enjoyed in 1989. (See Figure

QUARTERLY FORECAST

PERCENT CHANGE IN RV SHIPMENTS 1988-90

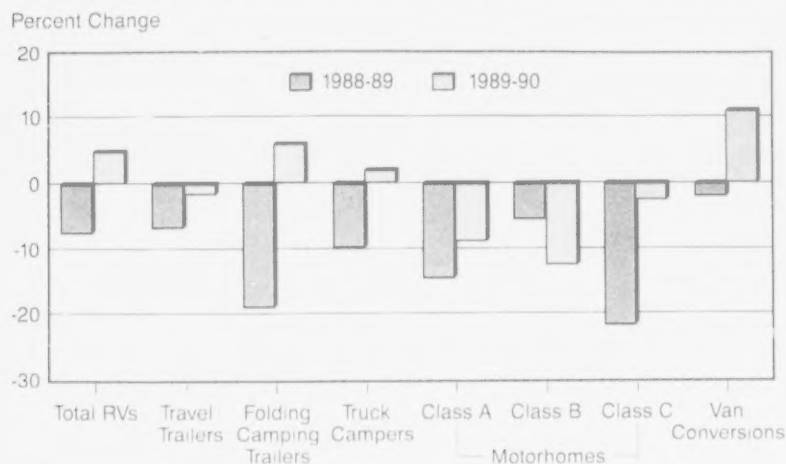


Figure 2

3) Exports will be the leading sector in expanding economic activity. The growth of imports, however, will almost match export development, so that we will see little change in the trade deficit.

Consumers will not increase real spending in '90 as fast as they did in '89. A slowdown also will occur in business investment and purchases by state and local governments. Federal spending on goods and services (excluding transfer payments

such as aid to farmers, S&Is and other "poor" populations) will actually decline after adjustment for price increases.

Perhaps the best news in Figure 3 is that the slide in residential investment (home construction) will slow.

Analyzing Key Factors

In the RV forecast, we are always looking at the path of interest rates, and, right now, it appears that there are still rate declines to be realized. Short-term rates, such as the 90-day Treasury bill and prime rates, probably will continue to fall into the early summer months before making a turnaround, as summarized in Figure 4. Long-term rates, such as rates for corporate bonds and fixed-rate mortgages, also may continue to fall moderately.

This interest-rate forecast results from the assumptions about the behavior of the Federal Reserve Board. As we view it, the only way that still-lower interest rates could develop would be for there to be significant increases in the unemployment rate, spurring the Fed to ease monetary

policy. However, the forecast that we have made does not indicate a major slowdown in economic activity, resulting in a high rate of unemployment.

In 1989, we avoided a 5% inflation rate, but it will take both a fall in motor-fuel prices and moderation in other components to keep us near 5% in 1990. Motor-fuel prices should fall because, although oil producers remain hungry and will probably increase their production, consumer demand will not grow with any rapidity. Slack demand, coupled with increased production, will force down fuel prices. Yet, the widely watched Consumer Price Index is expected to grow by 5.2% in 1990, compared with a 4.8% advance in '89. Health-care costs and other elements are continuing to put upward pressures on prices.

Unfortunately, given the rising inflation, consumers' real disposable income will grow very slowly in 1990. After a good 4.1% increase in '89, it looks as if real disposable income will advance only 1.5% this year. Both housing starts and auto sales also will be slower in 1990 than in 1989. (See Figure 5.) Unit sales of autos for 1990 are anticipated to be 5% below 1989 levels. Meanwhile, housing starts are expected to decline, too.

The place for fun these days continues to be Washington, D.C. It is the Magic Kingdom of budgetary fantasy. Nowhere is that more apparent than in the numbers the Bush administration and the Congress are using for the federal budget deficit. You probably have read about a \$64 billion deficit. That's a better joke than Milton Berle ever told. Our forecast for the deficit in 1990 is \$158 billion, because we do not play the shell game with the S&L bailout, which is a leading sport in Washington.

In summary, we continue to see *no recession*. Our confidence is not as strong as it was six months ago, but we believe that the American economy will squeeze through again.

Hence, the RV industry is forecast to improve moderately in 1990, as interest rates decline and inflation is kept under control. Prospects for 1991 look even brighter. The industry seems to be headed in the right direction, albeit at a slow pace. Δ

This forecast is a product of the Center for Econometric Model Research at Indiana University. R. Jeffery Green, director. The RV industry forecast was generated by Vinay Kansal; the verbal interpretation of these data, however, is the sole responsibility of the author. TL Enterprises Inc. is one of several private firms which support the Center and its quarterly forecasting activities.

ANNUAL GROWTH RATES AFTER ADJUSTMENT FOR INFLATION

	1989	1990 Forecast
Gross National Product	2.9	1.5
Consumer Spending	2.7	2.0
Business Investment	3.5	3.1
Residential Investment	-2.7	-2.0
Exports	10.9	5.8
Imports	6.4	5.6
Govt. Purchases		
Federal	2.5	-1.8
State & Local	2.7	2.0

Figure 3

KEY FACTORS IN THE FORECAST

	1989	1990 Forecast
Prime Interest Rate (%)	10.9	10.1
Value of the Dollar (1973=100)	98.5	92.0
Unemployment Rate (%)	5.2	5.4
% Change at Annual Rates:		
Money Supply (M2)*	3.7	7.1
Real Disposable Personal Income	4.1	1.5
Consumer Price Index	4.8	5.2
Food & Beverages	5.7	5.4
Motor-Fuel Prices	9.4	-7.6

*M2 consists of the nation's basic money supply of currency, plus demand deposits, plus savings accounts of commercial banks.

Figure 4

ANNUAL TRENDS

	1989	1990 Forecast
Unit Auto Sales (millions)	9.9	9.4
Unit Housing Starts (millions)	1.4	1.3
Federal Budget Deficit (billion \$)	149.7	158.2
% Change in Compensation per Manhours	5.8	6.0
Productivity	0.4	0.8
Unit Labor Costs (Compensation - Productivity = Unit Labor Costs)	5.4	5.2

Figure 5